

► CITY OF FREMONT

FY 2012/13

Proposed Operating Budget

May 15, 2012

Overview

- Economic Update
- FY 2011/12 Budget Update
- FY 2012/13 Proposed Budget

Economic Update

- Finally emerging from the recession
 - A lasting mark on the U.S. economy
 - GDP growing – decreased unemployment
 - Expectations remain downbeat
 - Housing, gas prices, European debt crises
- California adding back jobs
 - Growth in taxable sales
 - Slowdown possible with expiration of tax cuts
- State budget remains a threat
 - \$16+ billion deficit
 - Governor's income and sales tax measures on November ballot



Property Tax Revenue

- Transaction volumes increasing, average sales price dropping slightly
 - Absorbing foreclosures and excess inventory
- Revenue increasing
 - Full 2% Proposition 13 inflation adjustment
 - Dissolution of redevelopment



Sales Tax Revenue

- Finally recovering from the “dot-com” bust
- Business-to-business and auto sales improving
- Opening of The Block



FY 2011/12 General Fund Summary



Fiscal Year 2011/12

Revenues & Transfers In

Dollars in Millions	2011/12 Mid-Year Review	6/30/2012 Estimate	+/- from Mid- Year
Property Tax	\$ 61.8	\$ 61.8	\$ 0.0
Sales Tax (incl triple flip)	32.2	32.2	0.0
Franchise Fees	8.6	8.1	(0.5)
Business License Taxes	6.9	7.4	0.5
Transient Occupancy Tax	3.8	3.8	0.0
Property Transfer Tax	1.0	0.9	(0.1)
Other (Charges for Svcs, Fines)	10.1	10.2	0.1
Subtotal	124.4	124.4	0.0
Transfers In	5.3	5.3	0.0
TOTAL RESOURCES	\$129.7	129.7	\$ 0.0

Fiscal Year 2011/12

General Fund Budget Update

Dollars in Millions	2011/12 Mid-Year Review	6/30/2012 Estimate	+/- from Mid-Year
Revenue and transfers in	\$129.7	\$129.7	\$ 0.0
Expenditures and transfers out	132.5	132.5	0.0
Net results of operations	(2.8)	(2.8)	0.0
Use of Budget Uncertainty Reserve	\$ 2.8	\$ 2.8	\$ 0.0

General Fund Budget Update and Forecast (without sustainability measures)

Dollars in Millions	6/30/2012 Estimate	2012/13 Proposed Budget	2013/14 Projection	2014/15 Projection	2015/16 Projection
Revenue and transfers in	\$129.7	\$131.8	\$136.0	\$141.2	\$146.5
Expenditures and transfers out	137.7	138.2	138.1	139.9	140.0
Budget (Gap)/Surplus	(8.0)	(6.4)	(2.1)	1.3	6.5
Use of Budget Uncertainty Reserve	7.5	0.0	0.0	0.0	0.0
Beginning Fund Balance	0.0	(0.5)	(6.9)	(9.0)	(7.7)
Ending Fund Balance	(\$ 0.5)	(\$ 6.9)	(\$ 9.0)	(\$ 7.7)	\$ 1.2

FY 2012/13 General Fund Proposed Budget



New Elements

- New Format
- Budget Principles
- Performance Measurements
- Community Survey Results

Budget Principles

- General Fund Preservation
- Reduce the Cost of Doing Business
- Revenue Generation

Budget Principles

- General Fund Preservation
 - Maintain a structurally balanced budget
 - Spend restricted or non-General Fund resources first
 - Do not commit one-time resources to ongoing costs or programs
 - Do not issue long-term debt to fund ongoing operating costs
 - Maintain adequate reserves – review and update as needed
 - Adopt policies that support sustainability
 - Regularly monitor financial performance
 - Fully recover costs of providing services
 - Analyze and adjust fees regularly and incrementally

Budget Principles

- Reduce the Cost of Doing Business
 - Understand what we are required to do vs. what we have chosen to do
 - Maximize use of grant funding to offset General Fund costs, based on Council priorities
 - Streamline and automate processes for efficiency
 - Consider alternative service delivery options
 - Consider total compensation bargaining
 - CIP projects may proceed only if there is sufficient funding for ongoing operating and maintenance costs
 - Invest reserves/one-time revenues in capital outlay items that will reduce long-term operating costs and increase efficiency

Budget Principles

- Revenue Generation
 - Continue to pursue new Economic Development opportunities
 - Pursue opportunities to maximize revenues
 - Maximize administrative and operational efficiencies before pursuing new revenues

Fiscal Year 2012/13

Revenues & Transfers In

Dollars in Millions	2011/12 Estimate	Proposed 2012/13 Budget	Difference
Property Tax	\$ 61.8	\$ 65.1	\$ 3.3
Sales Tax (incl triple flip)	32.2	33.6	1.4
Franchise Fees	8.1	8.1	0.0
Business License Taxes	7.4	7.4	0.0
Transient Occupancy Tax	3.8	4.2	0.4
Property Transfer Tax	0.9	1.0	0.1
Other (Charges for Svcs, Fines)	10.2	10.2	0.0
Subtotal	124.4	129.6	5.2
Transfers In	5.3	5.3	0.0
TOTAL RESOURCES	\$129.7	134.9	\$ 5.2

Unmet Needs

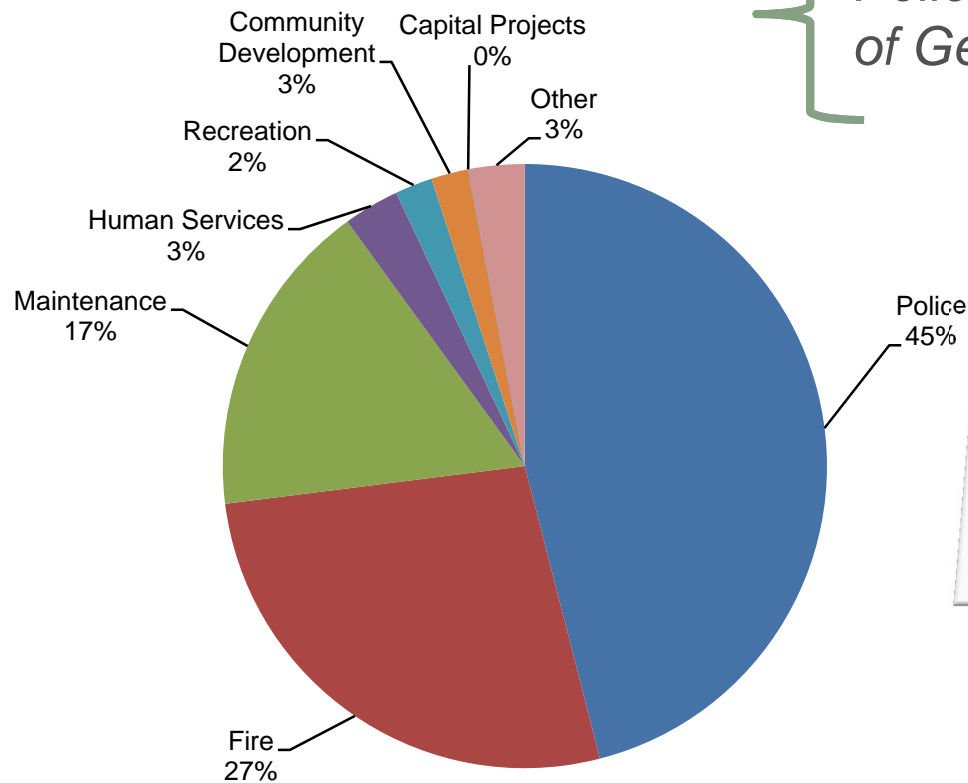
Unmet Need	Additional Funding Needed
Street Maintenance	\$10.5 million annually
Deferred Maintenance of Existing Capital Assets (other than streets)	\$1 million (at least) annually
Downtown Plan	\$500,000 (at least) annually
Public Safety Needs:	
Open Fire Station 11	\$1.7 million annually
Add 7-10 Police Officers	\$1.6 million annually
Other Post-Employment Benefits (OPEB)	\$3.9 million annually
TOTAL	\$19.2 million (at least) annually

General Fund Budget Update and Forecast

Dollars in Millions	6/30/2012 Estimate	2012/13 Proposed Budget	2013/14 Projection	2014/15 Projection	2015/16 Projection
Revenue and transfers in	\$129.7	\$134.9	\$139.0	\$144.2	\$151.5
Expenditures and transfers out	132.5	133.4	134.6	136.4	136.6
Begin to fund unmet needs:					
Strategic Investment Reserve			2.0	1.7	1.5
Street Maintenance			1.3	3.7	5.5
Public Safety			0.7	1.6	3.3
Retiree Medical (OPEB)				0.5	3.7
Net results of operations	(2.8)	1.5	0.4	0.3	0.9
Use of Budget Uncertainty Reserve	2.8	0.0	0.0	0.0	0.0
Beginning Fund Balance	0.0	0.0	1.5	1.9	2.2
Ending Fund Balance	\$ 0.0	\$ 1.5	\$ 1.9	\$ 2.2	\$ 3.1

General Fund Allocation

Distributed by Function



Police, Fire, and Maintenance = 89% of General Fund Expenditures



Status of Reserves (Dollars in Millions)

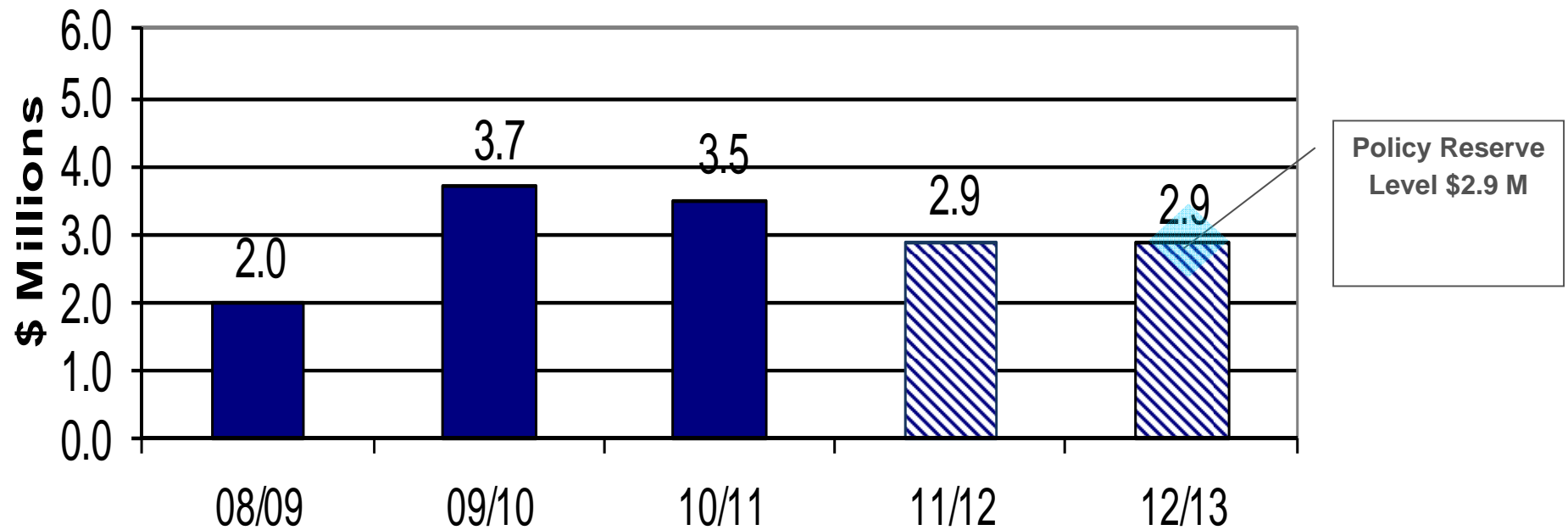
Name of Reserve	Balance at June 30, 2012
Contingency Reserve (10% of expenditures and transfers out)	\$14.6
Strategic Investment Reserve (2-1/2% of expenditures and transfers out)	<u>3.7</u>
TOTAL, in accordance with Council policy	18.3
Budget Uncertainty Reserve	<u>4.7</u>
TOTAL RESERVES (17.2%)	<u>\$23.0</u>

Non-General Fund Major Operations

- Development Cost Center
- Recreation Cost Center
- Human Services Special Revenue

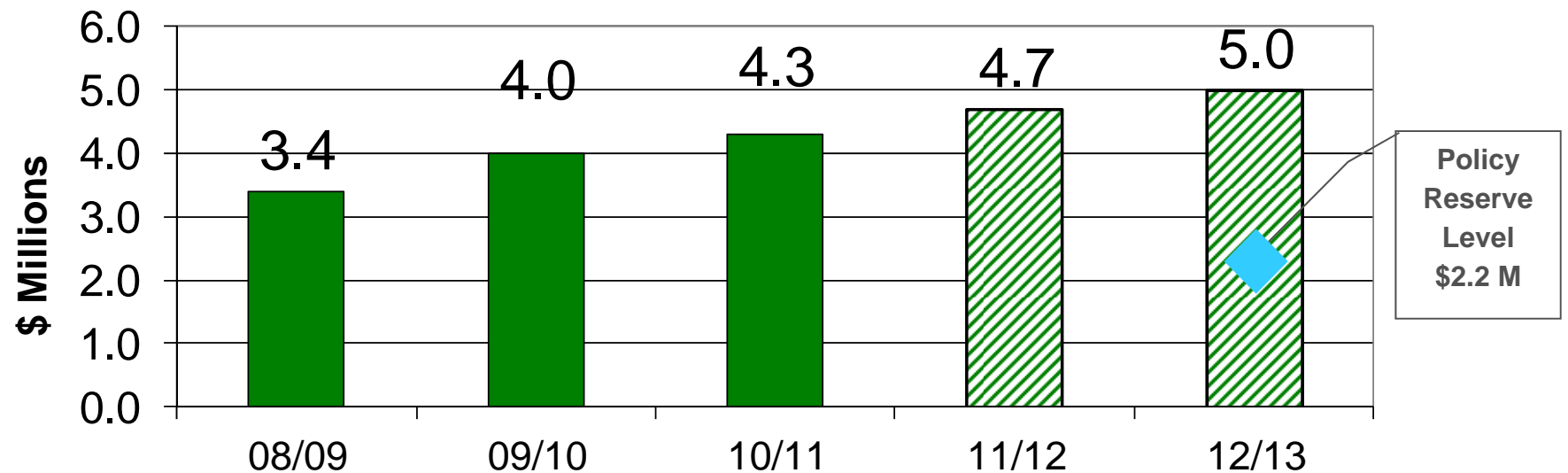
Development Cost Center

Development Cost Center Fund Balance



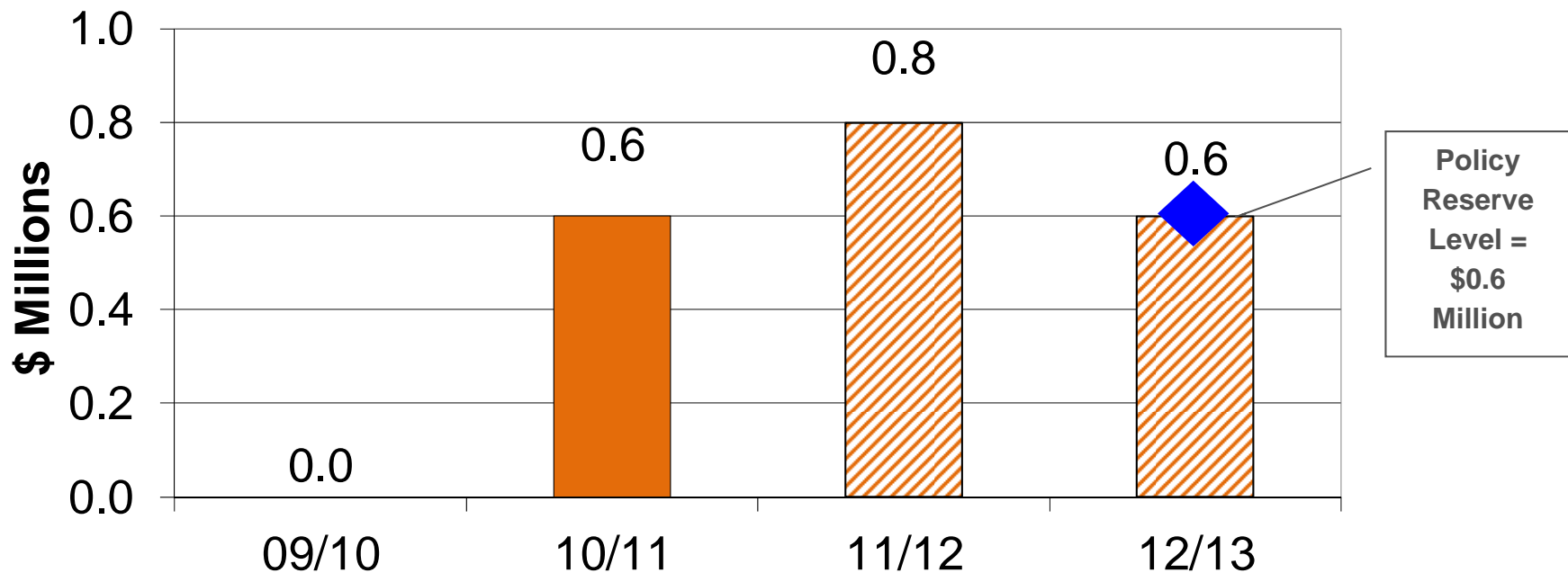
Recreation Cost Center

Recreation Cost Center Fund Balance



Human Services Special Revenue Fund

**Human Services Special Revenue
Fund Balance**



Performance Measurement

- **Definition:** Performance Measurement is the regular collection and reporting of data to track work produced and results achieved.
- First phase for FY 2012/13
 - Community Services
 - Fire
 - Human Resources
 - Information Technology Services
 - Public Works
- All departments in FY 2013/14

Community Survey

- Survey was conducted by Fairbank, Maslin, Maullin, Metz & Associates – *FM3*
- Interviews conducted between April 26 and May 3, 2012
- 602 telephone interviews with Fremont residents
- Interviews conducted in English, Spanish, Mandarin, Pashto, and Dari

Community Survey – Key Findings

- Residents like living in Fremont and are more likely to feel that things are improving, not getting worse
- Residents are most concerned about economic/budget issues, although few problems are seen as especially pressing
- Few have strong opinions about City government, but most think the City is doing a good job providing services and managing its budget
- The most important services are public safety, garbage/recycling, street maintenance and economic development
- Services residents are most satisfied with include garbage/recycling, public safety, parks maintenance, and the provision of bicycle lanes
- While a majority (66%) feel the City has at least “some” need for additional funding, only 22% feel the need is “great”
- A slim majority (53%) would support a tax measure and they’d most like to see that money spent on police, and paving and street repair

Summary

- Long, slow recovery seems to finally be taking hold
- Budget reductions and Strategic Fiscal Sustainability Action Plan have closed the structural gap
- Resources will be available to begin to address long list of unmet needs

Budget Schedule

- **First Public Hearing – FY 2012/13 Budget** **June 5, 2012**
- **Second Public Hearing – Budget Adoption** **June 12, 2012**

Q & A

